

**REPORT OF THE AUDIT OF THE
GREEN COUNTY
SHERIFF'S SETTLEMENT - 2007 TAXES**

**For The Period
May 1, 2007 Through April 30, 2008**



**CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS
www.auditor.ky.gov**

**105 SEA HERO ROAD, SUITE 2
FRANKFORT, KY 40601-5404
TELEPHONE 502.573.0050
FACSIMILE 502.573.0067**

EXECUTIVE SUMMARY
AUDIT EXAMINATION OF THE
GREEN COUNTY
SHERIFF'S SETTLEMENT - 2007 TAXES

For The Period
May 1, 2007 Through April 30, 2008

The Auditor of Public Accounts has completed the audit of the Sheriff's Settlement - 2007 Taxes for the Green County Sheriff for the period May 1, 2007 Through April 30, 2008. We have issued an unqualified opinion on the financial statement taken as a whole. Based upon the audit work performed, the financial statement is presented fairly in all material respects.

Financial Condition:

The Sheriff collected taxes of \$2,633,786 for the districts for 2007 taxes, retaining commissions of \$108,662 to operate the Sheriff's office. The Sheriff distributed taxes of \$2,523,081 to the districts for 2007 taxes. Refunds of \$208 are due to the Sheriff from the taxing districts.

Report Comments:

- The Sheriff's Office Lacks Adequate Segregation Of Duties Over Receipts And Disbursements
- The Sheriff Should Deposit Funds Intact On A Daily Basis

Deposits:

The Sheriff's deposits were insured and collateralized by bank securities.

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CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky

Honorable Steven L. Beshear, Governor

Jonathan Miller, Secretary

Finance and Administration Cabinet

Honorable Mary Ann Blaydes Baron, Green County Judge/Executive

Honorable Tim Stumph, Green County Sheriff

Members of the Green County Fiscal Court

Independent Auditor's Report

We have audited the Green County Sheriff's Settlement - 2007 Taxes for the period May 1, 2007 through April 30, 2008. This tax settlement is the responsibility of the Green County Sheriff. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for Sheriff's Tax Settlements issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the Sheriff's office prepares the financial statement on a prescribed basis of accounting that demonstrates compliance with the modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the accompanying financial statement referred to above presents fairly, in all material respects, the Green County Sheriff's taxes charged, credited, and paid for the period May 1, 2007 through April 30, 2008, in conformity with the modified cash basis of accounting.

In accordance with Government Auditing Standards, we have also issued our report dated October 3, 2008 on our consideration of the Sheriff's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.



To the People of Kentucky

Honorable Steven L. Beshear, Governor

Jonathan Miller, Secretary

Finance and Administration Cabinet

Honorable Mary Ann Blaydes Baron, Green County Judge/Executive

Honorable Tim Stumph, Green County Sheriff

Members of the Green County Fiscal Court

Based on the results of our audit, we present the accompanying comments and recommendations, included herein, which discuss the following report comments:

- The Sheriff's Office Lacks Adequate Segregation Of Duties Over Receipts And Disbursements
- The Sheriff Should Deposit Funds Intact On A Daily Basis

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Crit Luallen", with a long horizontal flourish extending to the right.

Crit Luallen

Auditor of Public Accounts

October 3, 2008

GREEN COUNTY
TIM STUMPH, SHERIFF
SHERIFF'S SETTLEMENT - 2007 TAXES

For The Period May 1, 2007 Through April 30, 2008

<u>Charges</u>	<u>County Taxes</u>	<u>Special Taxing Districts</u>	<u>School Taxes</u>	<u>State Taxes</u>
Real Estate	\$ 291,506	\$ 564,118	\$ 1,039,164	\$ 334,692
Tangible Personal Property	13,274	32,313	47,321	36,484
Intangible Personal Property				1
Fire Protection	1,220			
Increases Through Exonerations	533	1,032	1,901	612
Franchise Taxes	44,859	102,005	159,889	
Oil and Gas Property Taxes	954	1,845	3,400	1,095
Limestone, Sand and Mineral Reserves	54	105	194	62
Penalties	3,210	6,268	11,410	3,841
Adjusted to Sheriff's Receipt	<u>(79)</u>	<u>(140)</u>	<u>(283)</u>	<u>(97)</u>
Gross Chargeable to Sheriff	<u>355,531</u>	<u>707,546</u>	<u>1,262,996</u>	<u>376,690</u>
<u>Credits</u>				
Exonerations	3,074	5,955	10,954	3,543
Discounts	4,163	8,166	14,775	4,876
Delinquents:				
Real Estate	1,095	2,113	3,892	1,254
Tangible Personal Property	54	133	195	215
Unpaid Carried Over Oil Bills	570	1,103	2,032	654
Exonerated Oil Bills	20	39	72	23
Franchise Taxes Uncollected	<u>1</u>	<u>2</u>	<u>4</u>	
Total Credits	<u>8,977</u>	<u>17,511</u>	<u>31,924</u>	<u>10,565</u>
Taxes Collected	346,554	690,035	1,231,072	366,125
Less: Commissions *	<u>15,016</u>	<u>28,555</u>	<u>49,243</u>	<u>15,848</u>
Taxes Due	331,538	661,480	1,181,829	350,277
Taxes Paid	331,291	661,023	1,180,778	349,989
Refunds (Current and Prior Year)	<u>297</u>	<u>555</u>	<u>1,053</u>	<u>346</u>
Refunds Due Sheriff		**		
as of Completion of Audit	<u>\$ (50)</u>	<u>\$ (98)</u>	<u>\$ (2)</u>	<u>\$ (58)</u>

* and ** see next page.

The accompanying notes are an integral part of this financial statement.

GREEN COUNTY
TIM STUMPH, SHERIFF
SHERIFF'S SETTLEMENT - 2007 TAXES
For The Period May 1, 2007 Through April 30, 2008
(Continued)

* Commissions:

10% on	\$	10,000
4.25% on	\$	1,084,054
4% on	\$	1,539,732

** Special Taxing Districts:

Library District	\$	(41)
Health District		(17)
Extension District		(17)
Ambulance District		<u>(23)</u>
Refunds Due Sheriff	\$	<u><u>(98)</u></u>

GREEN COUNTY
NOTES TO FINANCIAL STATEMENT

April 30, 2008

Note 1. Summary of Significant Accounting Policies

A. Fund Accounting

The Sheriff's office tax collection duties are limited to acting as an agent for assessed property owners and taxing districts. A fund is used to account for the collection and distribution of taxes. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

B. Basis of Accounting

The financial statement has been prepared on a modified cash basis of accounting. Basis of accounting refers to when charges, credits, and taxes paid are reported in the settlement statement. It relates to the timing of measurements regardless of the measurement focus.

Charges are sources of revenue which are recognized in the tax period in which they become available and measurable. Credits are reductions of revenue which are recognized when there is proper authorization. Taxes paid are uses of revenue which are recognized when distributions are made to the taxing districts and others.

C. Cash and Investments

At the direction of the fiscal court, KRS 66.480 authorizes the Sheriff's office to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

Note 2. Deposits

The Green County Sheriff maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC) as required by KRS 66.480(1)(d). According to KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the Sheriff and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution.

GREEN COUNTY
NOTES TO FINANCIAL STATEMENT
April 30, 2008
(Continued)

Note 2. Deposits (Continued)

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a depository institution failure, the Sheriff's deposits may not be returned. The Green County Sheriff does not have a deposit policy for custodial credit risk but rather follows the requirements of KRS 41.240(4). As of April 30, 2008, all deposits were covered by FDIC insurance or a properly executed collateral security agreement.

Note 3. Tax Collection Period

The real and personal property tax assessments were levied as of January 1, 2007. Property taxes were billed to finance governmental services for the year ended June 30, 2008. Liens are effective when the tax bills become delinquent. The collection period for these assessments was November 17, 2007 through April 30, 2008.

Note 4. Interest Income

The Green County Sheriff earned \$1,385 as interest income on 2007 taxes. The Sheriff was in substantial compliance with his statutory responsibility regarding interest.

Note 5. Sheriff's 10% Add-On Fee

The Green County Sheriff collected \$18,153 of 10% add-on fees allowed by KRS 134.430(3). This amount was used to operate the Sheriff's office.

Note 6. Advertising Costs And Fees

The Green County Sheriff collected \$1,065 of advertising costs and \$1,775 of advertising fees allowed by KRS 424.330(1) and KRS 134.440(2). The Sheriff distributed the advertising costs to the county as required by statute, and the advertising fees were used to operate the Sheriff's office.

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL
STATEMENT PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS



CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS

The Honorable Mary Ann Blaydes Baron, Green County Judge/Executive
Honorable Tim Stumph, Green County Sheriff
Members of the Green County Fiscal Court

Report On Internal Control Over Financial Reporting And On
Compliance And Other Matters Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards

We have audited the Green County Sheriff's Settlement - 2007 Taxes for the period May 1, 2007 through April 30, 2008, and have issued our report thereon dated October 3, 2008. The Sheriff prepares his financial statement in accordance with a basis of accounting other than generally accepted accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Green County Sheriff's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the Green County Sheriff's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Green County Sheriff's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However as discussed below, we identified a certain deficiency in internal control over financial reporting that we consider to be a significant deficiency.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with the modified cash basis of accounting such that there is more than a remote likelihood that a misstatement of the entity's financial statement that is more than inconsequential will not be prevented or detected by the entity's internal control over financial reporting. We consider the deficiency described in the accompanying comments and recommendations to be a significant deficiency in internal control over financial reporting.

- The Sheriff's Office Lacks Adequate Segregation Of Duties Over Receipts And Disbursements



Report On Internal Control Over Financial Reporting And On
Compliance And Other Matters Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards
(Continued)

Internal Control Over Financial Reporting (Continued)

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statement will not be prevented or detected by the entity's internal control. Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we consider the significant deficiency described above to be a material weakness.

Compliance And Other Matters

As part of obtaining reasonable assurance about whether the Green County Sheriff's Settlement - 2007 Taxes for the period May 1, 2007 through April 30, 2008, is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that is required to be reported under Government Auditing Standards and which is described in the accompanying comments and recommendations.

- The Sheriff Should Deposit Funds Intact On A Daily Basis

This report is intended solely for the information and use of management, the Green County Fiscal Court, and the Department for Local Government and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,



Crit Luallen
Auditor of Public Accounts

October 3, 2008

COMMENTS AND RECOMMENDATIONS

GREEN COUNTY
TIM STUMPH, SHERIFF
COMMENTS AND RECOMMENDATIONS

For The Period May 1, 2007 Through April 30, 2008

INTERNAL CONTROL - SIGNIFICANT DEFICIENCY AND MATERIAL WEAKNESS:

The Sheriff's Office Lacks Adequate Segregation Of Duties Over Receipts And Disbursements

During our review of internal controls, we noted the Sheriff's office lacks adequate segregation of duties over receipts and disbursements. The Sheriff collects tax payments from customers, prepares the deposits, prepares daily tax collection journals, and prepares monthly tax reports. The Sheriff also takes the deposits to the bank, prepares the monthly payments to the taxing districts, signs the checks, and performs monthly bank reconciliations. No oversight is performed over any of these functions.

Segregation of duties over collecting taxes, preparing daily deposits, preparing monthly reports, and preparing disbursements is essential for providing protection from asset misappropriation and/or inaccurate financial reporting. Additionally, proper segregation of duties protects employees in the normal course of performing their daily responsibilities.

The Sheriff should separate the duties of collecting taxes, preparing daily deposits, preparing and mailing disbursements, preparing financial reports, and preparing monthly bank reconciliations. If these duties cannot be segregated due to limited staff or limited budget then strong oversight should be provided to the employee responsible for these duties. This oversight would not be effective over the duties performed by the Sheriff. The Sheriff needs to delegate these duties to other employees and document his oversight.

Sheriff's Response: None.

STATE LAWS AND REGULATIONS:

The Sheriff Should Deposit Funds Intact On A Daily Basis

During our review of receipts, we discovered that the Sheriff is not preparing and printing tax collection reports and making deposits on a daily basis. These reports contain anywhere from two to seven days of collection information. The Sheriff is making his deposits and postings to the receipts ledger based on the day the tax collection report is printed. KRS 68.210 prescribes minimum requirements for handling public funds, which include "daily deposits intact into a federally insured banking institution. We recommend the Sheriff prepare and print daily tax collection reports and deposit receipts intact daily.

Sheriff's Response: None.

